



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT


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GOVERNOR

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May 10, 2007

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers
All State Departments, Institutions and Agencies

FROM: David McCoy 

SUBJECT: Budget Guidelines for Closing Fiscal Year 2006-07

Encumbered Funds (Carry Forward)

The Office of State Budget and Management (OSBM) will review requests to carry forward funds from FY 2006-07 to FY 2007-08 in compliance with G.S. 143-18 and G.S. 116-30. Agencies should submit their carry forward requests (in the attached template) and BD 606's to OSBM no later than **June 26, 2007**. The carry forward requests should be divided into five categories:

Category A - Required by general statutes or session law (funds are designated as non-reverting);

Category B - Legal obligation for which nonrecurring funds were appropriated for this fiscal year only;

Category C – Unearned revenue received in FY 2006-07 for goods or services that will be provided in FY 2007-08, such as summer school tuition receipts;

Category D – Federal funds that have been transferred to a General Fund budget code that are in excess of actual disbursements; and

Category E – Documented encumbrances such as outstanding purchase orders or contractual obligations. A contract or purchase order number must accompany each requested item in this category and should be included in the justification column on the template.

Requests outlined in Category E should be listed in priority order and must have a purchase order or contractual obligation with an effective date prior to June 1, 2007. OSBM will review the carry forward requests in context of the State's revenue (cash) situation, and advise agencies of the amounts approved in late June or early July. Once OSBM has approved the carry forward amounts, **OSBM will enter the cash requisitions**, and the agencies will review and submit to the Office of the State Controller (OSC). OSBM will provide OSC a listing of all approved carry forward amounts, at which time the cash carry forward requisitions will be released by OSC.

The clear proceeds for fines, forfeitures, and penalties as of June 2007 payable to the Civil Penalty and Forfeiture Fund must be carried forward for transfer in July 2007.

Special Provisions (Carry Forward)

Departments, Institutions or Agencies that have special provisions proposed by the 2007 General Assembly that require carry forward of funds from FY 2006-07 to FY 2007-08 should submit budget revisions for those purposes to OSBM by **June 26, 2007**. If OSBM approves the proposed carry forward, the budget revisions will be held until action is taken on the provisions by the General Assembly.

Reconciliation of Salary Reserve

Salary reserve balances at the fund/center level within a budget code cannot be negative at the end of the fiscal year. Appropriate budget revisions (BD 606s) and/or personnel action forms (PD 105's and 118's) must be prepared to realign the salary reserve prior to closeout. Analysts in OSBM will verify that negative salary reserve balances do not exist prior to accepting the June 2007 BD 701 monthly budget reports as final.

Agencies shall not reduce the budgeted salaries of vacant positions to the minimum where positive salary reserve balances already exist. OSBM will review June 2007 transactions to ensure this direction is adhered to. These transactions will be reviewed and considered when determining agency allocations of any statewide reserve for legislative salary increases.

Cash Balances

The BD 701 monthly budget reports for all special funds for June 2007 cannot contain any negative cash balances at the fund/center level.

Over Expended Accounts

The BD 701 monthly budget report for June 2007 cannot have any over expended accounts (line items) at the fund/center level based on the authorized budget. Agencies must also check the certified and authorized budget amounts to assure that there are no negative budgeted amounts in the certified and authorized budget columns in the BD 701.

Reconciliation of Budgeted Codes

Departments, Institutions and Agencies must review the BD 701 budget reports to ensure that the budgeted amounts in both the certified and authorized columns reconcile to actions approved by OSBM through the BD 606 process. Please use the RK 317, 323, and 325 reports as of June 30, 2007 in the reconciliation process.

Capital Improvement Allotments and Reports

All allotment requests for the month of June must be submitted to OSBM by **June 8, 2007**. Chief Fiscal Officers are to review all capital improvement budget codes and close all completed capital projects. Requests to close capital budget codes must be submitted to OSBM by **May 23, 2007**. Capital Improvement reports must be completed and filed by **June 22, 2007**, which is separate from reports covering current operations. Unused funds must be returned to their original source or reverted to the General Fund. Please note that the last COPs requisition will occur during the week of **June 4, 2007** and the last bond draw will occur during the week of **June 11, 2007**.

General Fund, Highway Fund, Highway Trust Fund and Special Fund Monthly Reports

Completed budget reports for June must be filed by no later than **July 17, 2007**. Any agency that has not filed complete and final reports for any month in FY 2006-07 will have future allotments withheld until such reports are received by OSBM.

Allotments for the First Quarter 2007-08

Instructions for First Quarter Allotments for the 2007-08 fiscal year will be forthcoming at a later date pending further action by the General Assembly.

Please contact your budget analyst in the Office of State Budget and Management at (919) 807-4700 if you have any questions about these procedures.

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